

**DRAFT**

**SCOTTSDALE TOURISM DEVELOPMENT COMMISSION  
CITY OF SCOTTSDALE  
PINNACLE CONFERENCE ROOM  
7575 EAST MAIN STREET  
SCOTTSDALE, ARIZONA  
JUNE 20, 2006  
MINUTES**

**MEMBERS PRESENT:**

Ned Sickle, Chairman  
John Holdsworth, Vice-Chairman  
Kate Cavaliere, Commissioner (telephonically)  
Margaret Dunn, Commissioner (arrived at 8:10 a.m.)  
Kieran MacDonald, Commissioner (arrived at 8:08 a.m.)  
Sally Shaffer, Commissioner  
Gordon Zuckerman, Commissioner

**STAFF:**

Kathy O'Connor, Tourism Development Manager  
Bob Cafarella, McDowell Sonoran Preserve Director  
Lee Guillory, Finance Manager  
Jennifer Hawkes, Economic Vitality Department  
Kathy Montalvo, Economic Vitality Department

**OTHERS PRESENT FOR ALL OR PART OF THE MEETING:**

Councilman Wayne Ecton  
Brent DeRaad  
Lauren Simmons  
Rachael Sacco

1. **CALL TO ORDER**

Chairman Sickle called the regular meeting of the Scottsdale Tourism Development Commission to order at 8:05 a.m.

2. **ROLL CALL**

A formal roll call confirmed members present as stated above.

3. **APPROVAL OF MAY 16, 2006 MINUTES**

**VICE-CHAIRMAN HOLDSWORTH MOVED TO APPROVE THE MAY 16, 2006 MEETING MINUTES. SECONDED BY COMMISSIONER SHAFFER, THE MOTION CARRIED BY A UNANIMOUS VOTE OF FIVE (5) TO ZERO (0). COMMISSIONERS DUNN AND MACDONALD WERE NOT PRESENT.**

4. **BED TAX PROFORMA**

Ms. O'Connor noted that June is the last month prior to the end of the current fiscal year. Ms. O'Connor cited that the fiscal year bed tax revenue estimate is currently \$8.9 million.

Ms. Guillory reported that the numbers reflected in the current pro forma are exactly the same as the numbers presented in last month's pro forma. Acknowledging the approaching year-end, Ms. Guillory committed to present the Commission with actual 2005/2006 numbers as soon as the figures are available. She opined that the year appears to be ending on a very positive note.

5. **MONTHLY UPDATES**

**Bed-tax Staff Report (Attachment 3)**

Ms. O'Connor reported that bed tax receipts are up 13% year-to-date over this same period last year. Bed tax receipts are holding up very well, as are hotel/motel tax. Retail sales tax is 9% ahead of last year and restaurant is 10% ahead of last year's receipts.

Chairman Sickles asked if there was a change in the number of full service hotels, noting that the financial performance of full service hotels is double, year-over-year, in comparison to limited service hotels. Ms. O'Connor explained that according to the City's Tax Audit Department, because the actual number of rooms is relatively small, one or two properties have made the difference in the percentage, along with the ability to increase the average rate.

**Smith Travel Research Lodging Report (Attachment 4)**

Highlighting the market area, Ms. O'Connor reported that current year-to-date occupancy is flat in comparison to last year. However, the average rate and rev par are both up approximately 13%.

**PROJECT STATUS UPDATES**

- **Desert Discovery Center**

Ms. O'Connor noted distribution of an e-mail to Commissioners regarding a meeting scheduled for June 27th between the subcommittees of the McDowell Sonoran Preserve Commission. Ms. O'Connor will attend the meeting, which is an opportunity for these two groups to address the questions raised by the feasibility study update, in order to move the project forward. Ms. O'Connor and Mr. Cafarella will then collaborate on a communication to City Council.

Mr. Cafarella explained that the meeting is a result of the ongoing debate between various Commissioners regarding the overall idea of the Discovery Center as well as the driving entities. Mr. Cafarella explained that in the mid 90's City Council asked the Preserve Commission to consent to siting the Desert Discovery Center on Preserve land, subsequent to which the project became and continues to be a tourism driven project. The meeting is expected to address various questions and identify issues and potential circumstances for Council's consideration in moving forward with the project.

Mr. Cafarella stressed the importance of having the tourism perspective represented in the meeting discussions.

Chairman Sickle asked if any progress has been made in clarifying key issues related to the organizational aspects and leadership side of the project. Mr. Cafarella explained the purview of each of the Commissions involved in the project, expressing belief that the operation/budget and additional issues that have been raised fall within City Council's purview for determination and direction to staff. He expressed hope that the Tourism Development Commission will lend their expertise to those aspects of the project.

The public meeting is scheduled for June 27 at 4:30 p.m. in the Community Design Studio.

Ms. O'Connor stressed the importance of utilizing experts in the field to ensure that the project is done right and brought forward to City Council in a manner that provides them with the appropriate information to begin to determine how the project could be structured. Ms. O'Connor suggested they might consider acquiring additional outside expertise. She also noted the City Manager's suggestion that the Commissions and staff work on a synopsis of the situation over the summer that can be presented to Council in early Fall.

Commissioner Shaffer inquired about a similar concept in Tucson. Ms. O'Connor acknowledged that this project is similar, however the Desert Discovery Center is intended to be a uniquely McDowell Sonoran environment experience, which reinforces the need to ensure that there is a clear vision on how this particular effort will be differentiated from others.

Vice-Chairman Holdsworth opined that this initiative is going to have to be a public-private initiative with significant funds drawn from the private sector. He stressed the importance of the collaborative effort and expressed concerns regarding the lack of details and development related to funding aspects in the private sector.

Councilman Ecton concurred, citing that currently the project is community, Preserve, and tourism driven as opposed to Council driven. He stressed the importance of presenting solid ideas for Council consideration in order for the project to become Council driven. He opined that perhaps private donors are hesitant to come forward because of the unknown structure. Councilman Ecton identified that there is much work to be done; much of which needs to be happening in the community instead of just in the City.

Vice-Chairman Holdsworth acknowledged receiving requests for support of the project from the leadership team, but expressed concern regarding the lack of details pertaining to the leadership and proposed structure of the project. He opined that the leadership team needs to define options for direction.

Ms. O'Connor concurred with Councilman Ecton, acknowledging that the Center is not a Council driven project although there is an interest on the part of the City. Staff's mission is to synthesize the old report with the new report in an effort to present Council and interested parties with a much clearer idea of the current status of the project and what needs to be done going forward.

Mr. Cafarella acknowledged that the issue is who will take the project on. Citing expressed concerns regarding the necessary expertise to move the project forward, he explained that perhaps another level of consultant analysis is needed in order to move the project to the next point.

Vice-Chairman Holdsworth acknowledged the importance of getting consultants involved at the appropriate time, but opined that at this stage someone needs to take a leadership position in the project and start moving forward.

Noting the creation of the Task Force for the Arts, Councilman Ecton suggested the idea of creating a task force consisting of individuals from various interested groups in an effort to generate discussions and identify options for direction.

Vice-Chairman Holdsworth volunteered to serve on the proposed task force.

In response to Councilman Ecton's suggestion, Ms. O'Connor suggested bringing the idea forward at the meeting of the subcommittees on June 27th.

Commissioner Cavaliere expressed favor for the creation of a task force.

- **SCVB Information Technology**

Ms. O'Connor noted that the technology proposal was not part of the budget going forward; however, efforts continue to find a way to implement this. Ms. O'Connor recalled that the recommendation was to review this issue in the context of the entire contract and how this is handled by other cities. She cited the lack of a precedent in the issue of City funds being used to purchase equipment for a different organization. This is an issue that needs to be addressed in terms of the relationship between the City and the CVB.

Ms. O'Connor also noted that the \$220,000 budget allocation will carry over into next year's budget.

In response to a request for clarification by Chairman Sickle, Ms. O'Connor explained that the funds allocated by the Tourism Development Commission to the CVB technology proposal have not been presented to City Council.

Chairman Sickle asked what needs to be done in terms of next steps in order to spend the funds on technology for the CVB. Ms. O'Connor explained that staff will be going back and looking at this request from the City perspective to determine how the matter can be handled within the legal confines of the City's spending limitations. Ms. O'Connor noted the goal of accomplishing this as soon as possible in order to present Council with an appropriate recommendation. She also identified that the additional goal is to address all of the CVB needs in the initial contract negotiations on an annual basis without having the CVB return for additional funds throughout the course of the year.

Vice-Chairman Holdsworth requested further clarification of the current issues. Ms. O'Connor noted the individuals on the budget subcommittee and explained that at the time the request was put forward by the Tourism Development Commission, the request was in conjunction with the FY 06/07 budget. In further researching the specific recommendation approved by the Commission, questions arose about the legal aspects

of the City being able to purchase equipment for another entity. The issue was unable to be resolved in time to be included in the budget for FY 06/07 or to be included in the current budget. Ms. O'Connor reiterated the need to look at the issues in the context of the entire contract with the CVB as well as renegotiating the contract to allow for this type of additional expense.

In response to questions by Commissioner MacDonald, Ms. O'Connor explained that contingency money is available in the FY 06/07 budget in the amount of \$500,000. Those funds were set aside to cover unknown factors in conjunction with implementing the Five-year Strategic Plan. However, a better approach might be to evaluate the CVB contract in its entirety to ensure that the funds the City is providing are enough to meet the technology needs as well as any other obligations.

Commissioner MacDonald cited concerns relative to time as well as the window of opportunity in which to source the funds. He questioned where the sum of money needed for technology investment is going to come out of next year's budget and what will be compromised as a consequence.

Acknowledging additional options, Ms. O'Connor explained that it would also not be beyond the realm of possibility to find additional money that is not within the current bed tax budget, but would come out of bed tax funds via the carryover fund. The funds would have an impact on the City's overall contingency budget.

Vice-Chairman Holdsworth recalled the TDC's previous motion that a budget put forth by the CVB be taken to the City for approval. He asked Chairman Sickle and Commissioner MacDonald if, during their involvement with the subcommittee, they were asked or advised to reduce the CVB's figure. Chairman Sickle and Commissioner MacDonald confirmed that such was not the case. Ms. O'Connor clarified that the technology request was not part of the actual dollar amount that moved through the process and was not included in the City's budget. Discussion ensued regarding issues of technology included within the budget submitted by the CVB.

Addressing the ad hoc request, Ms. Sacco acknowledged that the CVB did present a full budget to the TDC, which included a technology piece. As the full budget was reviewed, the budget subcommittee looked at the technology piece as something to be defined more precisely. The fact that the subcommittee wanted to see the technology portion funded during the current fiscal year, perhaps placed a spotlight on that particular piece of the full budget and identified new questions to be addressed before moving forward.

Vice-Chairman Holdsworth asked if the original budget approved by the Commission for submission to Council has been reduced. Ms. O'Connor explained that the FY 06/07 budget presented to Council did not include the \$200,000 recommended by the Commission.

Commissioner MacDonald clarified that the opportunity to look at separating the technology investment into a far more urgent approach was a result of a prior TDC discussion about the importance of technology and the need to have a greater sense of commitment to that investment.

Vice-Chairman Holdsworth expressed concern regarding the lack of follow-through by staff on a recommendation made by the Commission with no explanation as to why or how.

Ms. O'Connor further explained that the purchasing process for the City requires that certain standards be met. This particular request was for funds to purchase equipment for another organization that has a contract with the City, which was a challenge from a legal standpoint.

In response to questions by Commissioner MacDonald, Ms. O'Connor explained that there is a limit on the amount of City funds that can be used for CVB overhead. The limit is 17.5 percent of the total amount the CVB receives from the City. Ms. O'Connor elaborated that this raised many questions that led to the determination that this would be better handled by the overall approach to the contract. She also noted that the budget process moved forward simultaneously and the window of opportunity was missed to get the item back into the budget.

Commissioner Shaffer queried the proposed timeline to have the contract reviewed. Ms. O'Connor indicated that the review is expected to be completed within the next 90 days.

Chairman Sickel queried the review process. Ms. O'Connor noted that it has been in everyone's best interest to have a third party review the contract in comparison to other CVBs and how best practices are conducted between other municipalities and organizations. This is an opportunity to address the issues with the appropriate organization. Addressing historical practices, Ms. O'Connor also noted that due diligence must be done in order to present the absolute best information upon which the City Council can make their decisions.

Commissioner MacDonald queried the potential outcome at the end of the review process. Ms. O'Connor identified that the objective is to ensure that the CVB does have enough money and is being provided the tools and the resources to do the job requested of the City. Ms. O'Connor recalled the last review, which occurred approximately five years prior.

Commissioner MacDonald cited that the technology component is a significant part of the Five-year Strategic Plan and asked how the Commission is going to embrace this component from a standpoint of implementation without a funding mechanism.

Ms. O'Connor reiterated that \$500,000 is included in the FY 06/07 budget for the strategic plan. She recalled initial thinking that a substantial portion of that amount would likely be directed to technology.

Commissioner MacDonald expressed concerns relative to the portioning and stretching of those funds in the context of signature events. Vice-Chairman Holdsworth noted that the \$500,000 allocation was made based upon the assumption that the technology structure submitted by the CVB had been recommended to Council for consideration and was no longer part of the funding equation. Ms. O'Connor reiterated previously stated options relative to the use of bed tax funds via the City's overall contingency spending.

Chairman Sickie identified two options: approach City Council now for an ad hoc \$225,000 or await the outcome of the contract review within 90 days.

Commissioner MacDonald asked if changes to the contract could have a material impact on the FY 06/07 budget allocation. Ms. O'Connor acknowledged that such is possible but opined that it will more likely affect the 07/08 budget.

Commissioner Dunn requested clarification regarding the proposed review of the contract. Ms. O'Connor reiterated the previously stated objective of the contract review process. To address the issue in better context, Ms. O'Connor recalled that as a result of 9/11, the base amount of the CVB budget was held flat. Culture Quest was then added as a special project, although for three years the CVB budget base amount was flat. With the increase in bed tax receipts, the CVB has requested and received additional funding for either special projects or special marketing projects. There is \$600,000 in the budget that is being used for special marketing projects, but the question is, going forward, how should that be moderated?

Commissioner Dunn expressed concern that the focus of the proposed review is intended to determine if the City is giving too much, as opposed to giving enough.

Commissioner MacDonald expressed concerns relative to the Commission carrying through on items collectively agreed to.

Vice-Chairman Holdsworth opined that the issue constitutes a breach of trust and is unacceptable.

Ms. O'Connor noted that it is within the Commissions purview for Chairman Sickie to formally communicate the expressed concerns to staff or City Council. Addressing comments by Commissioner Dunn, Ms. O'Connor assured that the contract review directive has never been an effort to take anything away from the CVB.

In response to an inquiry by Commissioner Dunn, Ms. O'Connor acknowledged that the directive was a staff directive.

Chairman Sickie expressed sharing the frustration of fellow Commissioners with regard to this issue. He explained that his anxiety is also heightened associated with this analysis of the relationship between the City and the CVB related to funding. He opined that the Commissions involvement in the assessment is going to be important in order to be a part of the decision making process. He asked how the Commission is to be involved.

Ms. O'Connor opined that the Commission, as a recommending body, will be an essential part of the process, whether this is done internally or externally. The City, in terms of tax payer dollars, has a fiduciary responsibility to ensure that the City is getting the maximum value for what is being paid for. Ms. O'Connor concluded that the CVB is highly respected, does a tremendous job and this process is truly intended to ensure that the CVB continues to receive adequate funding and resources.

In response to further questions by Chairman Sickie, Ms. O'Connor stated that the next steps are yet to be determined. She expects to have more information at the next meeting.

Commissioner Dunn cited various important parts of her business proposal in relationship to being a vendor for the City. Ms. O'Connor reiterated points previously stated and explained that the CVB's proposal was presented as a separate issue that brought up the question of how to better integrate these needs into the annual budget request.

Discussion ensued regarding the CVB technology request and budget process. Councilman Ecton acknowledged the possibility that if the technology request had been included in the list of operating expenditures, the budget would have gone through but something else would have been reduced because the City's contract with the CVB is different than the contract with other vendors. The CVB must live within the established percent unless the amount of the percent is renegotiated.

Councilman Ecton opined that this is not necessarily a good time to discuss changes, because there are still some hard feelings about the fact that the City returns only 20% of the bed tax today. He cautioned that there may be opposition to granting more funds than the CVB currently receives.

In response to a request for clarification by Chairman Sickle, Councilman Ecton suggested that rather than pursuing the option of the overall contract in relationship, the best option may be to approach the Council separately on the \$225,000 with the argument that the increase is needed in order to accommodate the technology needs. He expressed uncertainty in the timing of opening the contract and trying to change it.

Ms. O'Connor committed to relay the Commission's suggestions, concerns and thoughts.

## **6. FIVE-YEAR STRATEGIC PLAN: QUARTERLY UPDATE**

Ms. O'Connor presented a synopsis of conversations between herself, Ms. Sacco and Mr. DeRaad. She called the Commission's attention to the list of tasks included in attachment 5B. The yellow highlighted tasks support the priority areas.

Addressing Attachment 5A, Commissioner MacDonald cited the lobbying aspect and mass transit within Scottsdale and requested insight regarding these topics from Ms. Sacco.

Ms. Sacco noted the issues relating to the various types of transportation available in the area. The CVB feels that mass transit is a very strategic component that continues to be brought up as an issue. Transportation is a huge topic of conversation. Mr. DeRaad presented examples of poor transportation modes that exist in Scottsdale and opined that the transportation solutions will likely require a number of options.

Commissioner MacDonald concurred, highlighting the importance of associating with the transportation issues in order to embrace the guest-centric component of the strategic plan.

In response to query by Commissioner MacDonald regarding the lobbying aspect, Ms. Sacco explained the belief that the lobbying aspect promotes the CVB's ability to speak on behalf of the industry. The answer to the question of whether money is being



left on the table is unknown. She referenced the Phoenix Civic Center expansion, noting that those efforts are a great example of a lobbying effort to gain regional funds to do something that impacted not only that City but the region. Brief discussion ensued identifying additional examples.

Ms. O'Connor clarified that the contract states that no City funds can be used for lobbying purposes. Ms. Sacco identified that lobbying is a fine line to walk and the CVB exercises great caution.

Addressing the lobbying topic, Chairman Sickle opined that the challenge is created by having a great deal on the plate; suggesting that Scottsdale would be better served by doing a few things well. He further opined that the biggest threat to tourism for Scottsdale is the increasing level of pollution. He acknowledged that the issue is a regional concern and expressed a desire to see lobbying efforts address the issue.

Ms. Sacco concurred, citing the recreational, wellness, holistic intrinsic value of the beauty of the destination. She noted that Paradise Valley shares the same concerns. Brief discussion ensued regarding federal initiatives for emissions control.

Ms. O'Connor suggested that Commissioners express their concerns related to pollution and other such issues to City Council. Councilman Ecton suggested that Commissioners also share their concerns with the City's Environmental/Energy Commission.

Addressing event development, Ms. O'Connor reported having conversations with individuals involved with a previous City event development consultant. Through the ensuing conversations, Ms. O'Connor formed the suggestion of speaking to ASU faculty that has been instrumental in event development.

In response to questions by Commissioner Cavaliere regarding luxury packages, Ms. Kapinos reported that a portion of the 06/07 CVB budget has been allocated to execute the Scottsdale luxury collection and shared details regarding the current plan of action. The packages are designed to get people out into the community and be a Sonoran Desert and Scottsdale centric experience.

Commissioner Cavalier requested an update regarding the status of Culture Quest. Ms. Sacco explained that in evaluations of Culture Quest, this venture would be very different than previously established. Discussions continue among staff to determine the best and most effective way to resurrect a Culture Qwest program.

Commissioner Cavalier asked why the high-profile destination experience report did not discuss WestWorld. Ms. O'Connor explained that the consultant's perspective was from a 50,000-foot level and the WestWorld venue was discussed more in the context of the permanent attraction and the land. Although WestWorld is not specifically in the Five-year Strategic Plan, it is an element that factors into event attraction and retention.

7. **2005 LODGING PERFORMANCE REPORT**

The accompanying report is a comparison of ten representative competitors of comparative destinations. Ms. O'Connor highlighted that market demand increased to over 100% in 2005. The study also reveals an increase in rev par, reflecting positive progress. She highlighted the increase in demand for Phoenix, as noted in Section 3, opining that the increase is evidence of the type of product brought into the marketplace.

In response to a question by Commissioner MacDonald related to the significant new room supply added in late 2002, Ms. O'Connor recalled that the increased room supplies were included in the 2003 reports, and committed to obtain clarification regarding how that increased supply factors into the current report.

Observing Scottsdale's noted performance during the past year, Commissioner MacDonald noted a reduction in supply in Scottsdale and posed the question: Has a portion of that reduction resulted in an overall increase in rate, which may contribute to a distorted view relative to true growth? Ms. O'Connor acknowledged that the reduction in inventory presents a very valid question as well as some impact, although the degree of impact is difficult to measure. She concurred that the question addresses an aspect of the analysis that staff will look into and acknowledged the importance of determining true growth.

Chairman Sickie noted the trends of considerable improvement in market share as reflected in the report since 2001.

Ms. O'Connor suggested that at some point the Commission may want to consider a research task force or subcommittee to work with the CVB staff to evaluate various aspects of the market share.

8. **FY 2006/2007 MATCHING EVENT ADVERTISING FUNDING PROGRAM**

Ms. O'Connor reported that the subcommittee met, reviewed last year's program and the consensus was that the program worked well, resulting in no changes to this year's program. Ms. O'Connor called attention to the timeline, noting that the applications will be available at the end of June. Applicants will be invited to address their applications at the August TDC meeting. The applications will then be reviewed by the subcommittee and recommendations presented to the Commission at the September meeting.

Ms. O'Connor addressed general historical questions regarding questions by Commissioner MacDonald.

Commissioner Dunn opined that there has to be some privilege to being a signature event. Ms. O'Connor suggested that those events that have a history of success could be given the option of making a formal presentation without the specific requirement to do so. The Commission concurred.

Chairman Sickie thanked Commissioners Dunn, Shaffer and Mr. DeRaad for their work on the subcommittee.

**COMMISSIONER SHAFFER MOVED TO APPROVE THE PROPOSED MATCHING EVENT ADVERTISING FUNDING PROGRAM FOR FISCAL YEAR 06/07. SECONDED BY COMMISSIONER MACDONALD, THE MOTION CARRIED BY A UNANIMOUS VOTE OF SEVEN (7) TO ZERO (0).**

9. **SCVB MONTHLY UPDATE**

Ms. Sacco highlighted the current numbers as reflected in the written CVB update, noting remarkable results. She distributed samples of advertisements currently running in various magazines to promote Scottsdale as a tourist destination during the summer months. The 5th Annual Bon Appetite has been moved to the Fall. Ms. Sacco concluded with distribution of the new Destination Marketing Guide. The CVB's third annual meeting will be held on Friday, September 22nd at the J.W. Marriott Camelback Inn. The featured speaker is the founder of Travelocity.

Ms. O'Connor noted that the November 2006 TDC meeting is currently scheduled to occur during Thanksgiving week. The Commission agreed to move the meeting to November 14th and also agreed that the November 14 meeting will be the Commission's annual retreat.

The next meeting of the Commission is scheduled for July 18th.

10. **ITEMS FROM THE FLOOR**

Vice-Chairman Holdsworth shared comments relating to the CVB technology issue relative to discussions with the City's Chief Financial Officer regarding Proposition 402.

11. **PUBLIC COMMENT**

None.

12. **ADJOURNMENT**

With no further business, being duly moved and seconded, the meeting adjourned at 10:02 a.m.

Respectfully submitted,  
A/V Tronics, Inc.